

General Information Letter: Organizations exempt from federal taxation under IRC § 501(a) are exempt from Illinois income tax except to the extent they have unrelated business taxable income.

March 12, 1999

Dear:

This is in response to your letter dated January 25, 1999 in which you request a Private Letter Ruling. Department of Revenue ("Department") regulations require that the Department issue only two types of letter rulings, Private Letter Rulings ("PLRs") and General Information Letters ("GILs"). PLRs are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. GILs do not constitute statements of agency policy that apply, interpret or prescribe the tax laws and are not binding on the Department. For your general information we have enclosed a copy of 2 Ill. Adm. Code Part 1200 regarding rulings and other information issued by the Department.

Although you have not specifically requested either type of ruling, the nature of your question and the information provided require that we respond only with a GIL.

In your letter you stated:

Enclosed please find the following documents:

- 1) Articles of Incorporations
- 2) Organization By-Laws; and
- 3) IRS determination letter.

We are requesting Illinois tax exemption. Our charitable function is to facilitate the development of tennis related activities for association members and to foster the growth of tennis as a recreation and sport in the xxxxxx, Illinois community.

Please be aware that for income tax purposes Illinois follows the federal government in questions concerning a charitable group's status as an exempt organization. Section 205 of the Illinois Income Tax Act states:

(a) Charitable, etc. organizations. The base income of an organization which is exempt from the federal income tax by reason of Section 501(a) of the Internal Revenue Code shall not be determined under section 203 of this Act, but shall be its unrelated business taxable income as determined under section 512 of the Internal Revenue Code, without any deduction for the tax imposed by this Act. The standard exemption provided by section 204 of this Act shall not be allowed in determining the net income of an organization to which this subsection applies.

Accordingly, if your group was determined by the Internal Revenue Service to be exempt from federal income taxes under §501(a) of the Internal Revenue Code ("IRC") it would also be exempt from determining base income under §203 of the

ITTA except for any unrelated business taxable income as determined by §512 of the IRC. I have included an IL 990-T for your convenience.

I hope that this has been helpful to you. If you have additional questions please feel free to contact me at the above address.

Very Truly Yours,

Charles Matoesian
Staff Attorney